

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 33 (MC2011-13)
Negotiated Service Agreement

Docket No. CP2011-49

PUBLIC REPRESENTATIVE COMMENTS
PRIORITY MAIL CONTRACT 33 AMENDMENT

(October 7, 2014)

Introduction

In response to Order No. 2201,¹ the Public Representative hereby comments on the September 29, 2014, Postal Service request to amend Priority Mail Contract 33.²

Discussion

The Postal Service has reached an agreement with Priority Mail Contract 33 Partner to amend the prices for Priority Mail Contract 33. This amendment is predicated on Commission approval of the Priority Mail price changes proposed in CP2014-55, which was approved by the Commission on August 15, 2014 (before the agreement was signed by the Postal Service).³ The Postal Service requests that amendments to the Priority Mail Contract 33 be approved. This is the fourth time the Postal Service has amended this contract.⁴ As the Postal Service notes in its sparse notice, the prices

¹ Notice and Order Concerning Amendment to Priority Mail Contract 33 Negotiated Service Agreement, September 30, 2014.

² Notice of the United States Postal Service of Amendment to Priority Mail Contract 33, September 29, 2014. (Request)

³ See <http://www.prc.gov/Docs/90/90202/Order%20No.%202156.pdf>

⁴ See : <http://www.prc.gov/Docs/87/87050/Notice.PM%20Contract%2033%20Ammt%205.24.13.pdf> ,

have “changed as contemplated by the contract’s terms.” It is unclear which of the five contracts filed with the Commission that statement refers to.

The Public Representative has reviewed the supporting financial documentation provided by the Postal Service. Regarding cost considerations, pursuant 39 U.S.C. 3633(a) to the Commission is charged with evaluating is the contract can be expected to cover attributable costs, should not result in subsidization of competitive products by market dominant products, and increase the contribution for competitive products. Based on the workpapers filed by the Postal Service, the agreement should satisfy the requirements of 39 U.S.C. 3633(a). Regarding cost considerations, the Public Representative notes two important aspects of the Postal Service's workpapers. First, the workpapers only cover 1 year, and does not cover potential additional years. Second, the cost coverage estimated by the Postal Service is a function of the estimated changes in cost in the time period covered by the agreement. The cost coverage is sensitive to the accuracy of this estimate.

Conclusion

Given the documentation provided by the Postal Service, it appears to the Public Representative that the amended contract can satisfy the requirements of 39 U.S.C. 3633(a). As such, the Public Representative supports approval and implementation of the agreement. As a final note, the contract was signed by the Postal Service on

August 28, 2014.⁵ The amendment was filed with the Commission on September 29, 2104, more than one month after the agreement was signed. The Postal Service plans on implementing the agreement “one day” after Commission approval. Reducing the lag between the time when an agreement is signed and when it filed with the Commission would increase the speed with which agreements and amendments can be implemented.

Respectfully submitted,

/s/_____

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⁵ See Amendment A at 11.